

VZCZCXYZ0003
RR RUEHWEB

DE RUEHIN #1156/01 1430853
ZNR UUUUU ZZH
R 230853Z MAY 07
FM AIT TAIPEI
TO RUEHC/SECSTATE WASHDC 5357
INFO RUEHB/AMEMBASSY BEIJING 6817
RUEHHK/AMCONSUL HONG KONG 8073

UNCLAS AIT TAIPEI 001156

SIPDIS

SIPDIS

DEPARTMENT FOR INR/R/MR, EAP/TC, EAP/PA, EAP/PD - LLOYD NEIGHBORS
DEPARTMENT PASS AIT/WASHINGTON

E.O. 12958: N/A

TAGS: OPRC KMDR KPAO TW

SUBJECT: MEDIA REACTION: U.S. ON CROSS-STRAIT TRADE RELATIONS

Summary: Taiwan's major Chinese-language dailies continued to focus news coverage May 23 on the dispute between the central government and the Taipei city government over the renaming of the Chiang Kai-shek Memorial Hall; on the issues to be discussed during the current Legislative Yuan session; on the year-end legislative elections; and on other local issues. In terms of editorials and commentaries, as a follow-up on Tuesday's news analysis, the pro-independence "Liberty Times" editorialized on AIT Taipei Director Stephen Young's call for further opening of the economic relations across the Taiwan Strait at a speech to Taiwan's Chinese National Association of Industry and Commerce Monday. The article explained in detail why, in their opinion, Taiwan must not further open its economic relations with China and urged Washington to look at cross-Straits relations from a strategic perspective rather than focusing on trade and economics alone. End summary.

"When Looking at Cross-Straits Relations, the United States Should Not Just Focus on Trade and Economics and Thus Overlook the Strategic Perspective"

The pro-independence "Liberty Times" [circulation: 500,000] editorialized (5/23):

"AIT Taipei Director Stephen Young said during a speech at the annual assembly of Taiwan's Chinese National Association of Industry and Commerce (CNAIC) Monday that a critical way to improve the U.S.-Taiwan trade partnership is for Taiwan further to open its economic relationship with China. He noted that Taiwan firms should observe high standards of environmental protection and labor rights in China. This can help speed the development of a modern China that is a constructive partner for both the United States and Taiwan, he added. The fact that Director Young spoke in front of the president of the host country using the language of the host country clearly indicated that he intended to convey a certain message.

"One can still recall Director Young's press conference at the end of last year, in which he requested that Taiwan pass the arms procurements budget as early as possible. During his press conference on May 3, Young addressed again that China has continuously deployed many missiles over the past decade, posing a serious threat to Taiwan. Director Young also expressed confusion over Taiwan's failure to pass the long-stalled national defense budget, including the part earmarked for the PAC-III missiles. Young's overtones showed that he is clearly aware of China's threats against Taiwan. While no signs showed that China's threats would be possibly reduced, [the United States] still requested that Taiwan further open its economic relations with China. Isn't this something similar to 'damn the torpedoes, full speed ahead?' [lit. 'clearly knowing there are tigers in the mountain but going up the tigers' mountain anyway'] ...

"Perhaps Director Young is unaware that in Taiwan, the so-called

'further opening of economic relations with China' is exactly the excuse used by those pan-Blue, pro-China people to boycott the national defense budget! According to these people's theory, peace across the Taiwan Strait will become possible as long as Taiwan expands trade and economic relations with China, removes its ceiling on investment [in China], and open the three links; and such a policy option, as a result, will render the national defense budget unnecessary. We can thus imagine that Director Young's 'opening theory' will be quoted by these people [as an excuse] to impose pressure on the government to liberalize its policy on investment in China and thereby to oppose all the defense-related budgets. This is perhaps not a result that Director Young will be happy to see, is it?

"As in the case of the United States and other countries, Taiwan's external trade and economic policies, particularly those toward China, are part of the nation's policies as a whole. Taiwan cannot proactively liberalize itself and move westbound [i.e., toward China] blindly, at least not before China's threats are removed, or there will be serious consequences in terms of the island's economic security, national security, and even national identity. Director Young has repeatedly urged our country's Legislative Yuan to pass the arms procurements budget, and this indicates that he is fully aware that there are not simply trade and economics in the relationship between Taiwan and China. Perhaps Director Young is also facing pressure from the U.S. business sector, but it might not serve the United States' interests as a whole if one simply focuses on trade and economics while overlooking the strategic perspective! Just as Director Young said, the United States is not only Taiwan's best but also the only security partner. It is because of this that Taiwan, in addition to working in line strategically with the U.S.-Japan security system, also hopes to sign a free trade agreement (FTA) with the United States, in an attempt to avoid China's economic magnetization and to strengthen Taiwan's economic security. It is a pity, however, that for many years the United States has been unwilling to sign an FTA with Taiwan. Instead, it

offered most-favored-nation treatment to China, while Taiwan is constantly facing pressure from the United States, demanding that the island keep on liberalizing its [policy toward] investment in China. It may well be asked: How would the Taiwan people possibly find a job and how would they survive if Taiwan's industries were hollowed out because of the westbound [policy]?

"Moreover, when it comes to 'helping speed the development of a modern China,' China's economy has been developing rapidly over the past few years, given the boost of international capital, including Taiwan's. But China did not use these resources to improve its people's lives and undergo democratic reforms. Instead, it has been expanding its military buildup in plain sight and, to name just one [of its moves], it has deployed around one thousand missiles targeting Taiwan. China's national defense budget leaps at a two-digit speed each year, rendering it capable of invading Japan's territory, stalking the USS Kitty Hawk carrier battle group and test-firing missiles to destroy the satellites in a short period of time. This is definitely not the kind of modernization that Director Young expects, rather [it is a] dangerous military modernization, and Taiwan is the one that bears the brunt of China's military expansion!

"The way that China applies the economic united-front [tactics] on Taiwan [shows that] what Beijing covets is to annex Taiwan; by no means can it become a constructive partner to Taiwan. In this context, Taiwan must do all it can to safeguard the status of its independent sovereignty. It is also based on such consideration that Taiwan had better not open itself proactively to China without limitations. Since the United States views Taiwan as its security partner, it can surely understand that Taiwan's economic and trade policy toward China must be in concert with its policies as a whole, which are aimed at maintaining the status of Taiwan's independent sovereignty. Let's just imagine: Taiwan has to confront China's military threats, economic united-front tactics, and diplomatic containment against this island on the one hand -- moves that are all aimed at eradicating Taiwan's sovereignty -- while it has to withstand the United States' requests that the island further open its economic relations with China and while Taiwan's space is constantly squeezed by China's manipulation. [In this context,] isn't it the case that Taiwan is offered no option but to pick the

road of 'ultimate unification [with China]'? Everyone knows that Director Young is a friend of Taiwan. He would do well to contemplate this situation for Taiwan."

YOUNG